

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2497 – HB 3533

February 25, 2010

SUMMARY OF BILL: Imposes a statewide prepaid wireless emergency telephone service charge on prepaid wireless subscribers equal to two percent of each retail transaction. Requires sellers of prepaid wireless telecommunications services to remit collected service charge revenue to the Department of Revenue (DOR). Allocates all service charge revenue to the Tennessee Emergency Communication Board (TECB) for the purpose of the Statewide Enhanced 911 Service, except for a three percent commission to be retained by sellers of prepaid wireless services, and a two percent commission to be retained by DOR for administrative costs.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$1,748,800/Recurring/Earmarked for E911 Service
\$127,500/Recurring/Department of Revenue**

**Increase State Expenditures - \$89,100/One-Time
\$54,200/Recurring**

Assumptions:

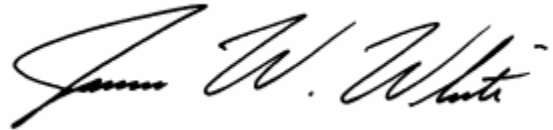
- The number of prepaid wireless subscribers and average monthly service charges to subscribers remain constant in subsequent years.
- According to the Federal Communications Commission's Local Competition Report, there are 5,790,638 wireless subscribers in Tennessee, and 17.2 percent (995,990) of those are prepaid wireless subscribers.
- DOR indicates the price for prepaid wireless services average \$27.50 per month.
- Taxable services are estimated to be \$328,676,700 per year (995,990 subscribers x \$27.50 monthly charge x 12 months = \$328,676,700).
- Service charge fee revenue is estimated to be \$6,573,500 per year (\$328,676,700 x 2.0% = \$6,573,534).
- Sellers of prepaid wireless services will retain three percent for collection from subscribers (\$197,200); the remittance to DOR will be approximately \$6,376,300 per year (\$6,573,500 - \$197,200).

SB 2497 – HB 3533

- DOR will retain two percent of remitted service charge revenue (\$127,500) to cover increased administrative costs; the remaining \$6,248,800 will be transferred to the TECB for use in accordance with the Statewide Enhanced 911 Service.
- Pursuant to Tenn. Code Ann. § 7-86-108(a)(1)(B), the state currently collects service charge fee revenue from sellers of wireless service, including prepaid wireless service. According to the Department of Commerce and Insurance, the TECB currently receives approximately \$4,500,000 for the Statewide Enhanced 911 Service from the current service fee imposed on prepaid wireless services. As a result, the net increase of service fee revenue to the TECB is estimated to be \$1,748,800 per year (\$6,248,800 - \$4,500,000 = \$1,748,800).
- Based on information provided by DOR, the increase to Department expenditures as a result of administration is estimated to be \$54,200 recurring and \$89,100 one-time.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/mc